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Cloud – A Business Perspective

The Business Disruption Side of Cloud

Cloud is at the top of the hype curve and every CIO is in some way talking about cloud technology. However, our experience is that most technology executives are looking at cloud through a lens that is focused on technology, rapid deployment and cost reduction. In addition to these aspects of cloud, enterprises should be looking at the disruptive nature of cloud on their business offerings and how this allows the enterprise to leap-frog their competition, often while minimizing investment and risk.

Cloud, and the associated eco-systems of small companies that build upon the services of larger cloud service providers, is a way to reach your clients whom aren't profitable enough to touch directly - the so called "long tail".

Cloud makes it economical to experiment in new markets by enabling your organization to leverage internal and external services more quickly, without significant up-front investment. Enable the development organization to have more control over the infrastructure that is used for deployment, and redesign the organization around this concept. This is often called "Dev Ops".

The challenge with these cloud technologies (and other technology disruptors) is that they redefine what is possible for the business, they make the impossible possible. The challenge that business people have is in asking the impossible questions. The challenge for technology leadership is to prompt your business leaders to ask those impossible questions.

Capturing the Long Tail

The long-tail is a business challenge that has eluded enterprises for some time - the ability to engage with low value customers at volume to make both an impact on top-line sales and profitability. Small companies are well setup for this sort of business model and have the business connections, however, these small companies simply don't have the depth of offering or the technical capabilities to deliver the full value that their customers would like.

Companies are making changes... Amazon, very publicly, redesigned their business around interfaces and enforces that all new business and business services are accessible internally and externally. Hundreds of thousands of business have built their business on the Amazon

platform. But more traditional companies are doing the same. Staples, the world's 2nd largest e-commerce site is doing the same and making their services for product management, shipping, billing, supply-chain management and visibility available to customers who want to run their niche business on this platform. Visa is making some of its services available for smaller customers whom are looking for the processing capability that comes from this trusted provider. Greenway Medical Technologies, a healthcare services company has exposed its service and is enabling 3rd party companies to build extensions to the core solution.

Every company does something very well. The objective is to find what services you do very well and how these services could be used by others to explore new markets. Would it surprise you to know that there are more than 100,000 recreational children's teams in the US alone? And that there are a handful of small companies out there with partial-solutions for small segments of this space. Does your company have a service that could be integrated into that space by other companies? Payment processing, or uniform & equipment ordering, or communications, or photo services, or small business accounting, or specialized equipment. How about another space that you hadn't previously entered?

Are you equipped to approach 100,000 small companies that each generate a small amount of revenue? Probably not. But that doesn't mean you have to ignore them.

This isn't about about using cloud. It is about becoming a provider of a service. You'll likely use the cloud to deploy it and manage the operations. However, the real opportunity here is in the ecosystem that has been created around cloud and the rapid integration of third-party services into advanced offerings from small companies.

Enabling your business to experiment in new markets

A significant business disruption that cloud has introduced is the general availability of enterprise level service providers offering business capabilities outside the walls of the organization. Everything from software services to marketing services to any aspect that maybe required is typically available as a service today.

Now a company can build significant functionality by simply stitching together external and internal service providers with some custom functionality to enter a new marketplace. The level of investment is much lower, as is the barrier-to-entry for new competitors. These providers are innovating fast, and are typically selling their services based on usage - the more you use, the more you pay. They are helping align expenses with revenues.

The options are vast... If you need a voice response system, use a Software as a Service (SaaS) provider that will charge you $0.15/call. If you need to do massive analytics on a set of data, use an Infrastructure as a Service (IaaS) provider to give you short term access to millions of

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dollars worth of hardware for a few hundred dollars. There are literally thousands of providers of services to various businesses in various industries.

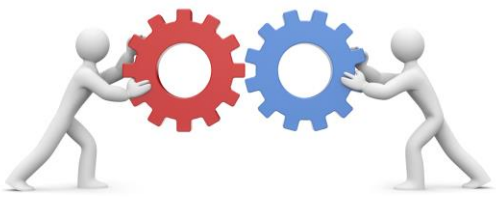
Your business needs to embrace this disruption, and build a strategy for how to engage and leverage these providers. This is about a legal, due-diligence and technology frameworks to protect your business and ensure that your service-providers are capable of delivering your business services. By turning your practitioners into litigators for these providers, you gain the control over the service level agreements and delivery standards required.

IT Organization & Development Methodology

Cloud offers an opportunity to significantly change the way development organizations deploy code to both test and production. And with the advent of "agile" development methodologies, the traditional waterfall method of deploying software is changing.

Agile development methodology is all about writing code better, and it a great development methodology for building software faster. And it works… the teams are integrated, and the business users are (supposed to be) involved with the coders. And if you follow the strict guidelines of agile, you'll generate code fast – good code that the business user is happy with. But building code is only part of it.

Your IT need to continuously deploy that code to an infrastructure. That code needs to integrate into the security and operations infrastructure. That code has database dependencies, and if you are writing anything that matters, you are also integrating into APIs from dozens of others companies (Facebook, LinkedIn, Twitter, Saleforce.com, mobile, analytics platforms, cloud providers, API managers, etc, etc, etc) These are things that the developers know pretty well, and usually spend a lot of time communicating to your



infrastructure people. The concept of dev/ops is to put the control for describing the required infrastructure into the hands of the development organization.

Cloud & Dev/Ops together are changing the way code is written, tested and deployed. And in the end, business value can typically be directly measured by how quickly and reliably code can be developed and released.

Cloud - Summary

We've touched on some of the business aspect of cloud technology. There are many aspects that impact the IT organization that can improve their ability to deliver applications and new functions to business. However, business needs to push their IT department to consider the art of the possible and push their IT group to deliver what may have been previously consider impossible. These disruptions are here, and more are coming.

This TIP was written by Gareth Patterson, who specializes in business strategy and innovation.